Memorandum of Understanding between the Research Councils UK and the Higher Education Funding Council for England

Introduction and purpose

1. The purpose of this memorandum is to set out a framework through which the Higher Education Funding Council for England (HEFCE) and the UK's seven Research Councils can satisfy their respective accountability responsibilities by sharing information and providing assurance to each other on a regular basis. RCUK is the strategic partnership of the UK's seven Research Councils that individually are accountable to the Department for Business, Energy and Industrial Strategy (BEIS).

2. This memorandum is consistent with the principles of better regulation whereby public bodies, wherever possible, should be able to rely on each other's systems of oversight and assurance. This approach will minimise the accountability burden placed on English Higher Education Institutions (HEIs) whilst maintaining an appropriate and proportionate level of accountability for public funds.

3. To help HEFCE and RCUK achieve their aims, effective accountability arrangements need to be in place at HEIs. These underpin monitoring of the sustainability of individual HEIs, minimise and deter fraud, and ensure public funding is spent in accordance with the principles detailed in Managing Public Money. HEFCE and RCUK will require assurance that an HEI's systems and processes to ensure accountability are in place and working effectively.

4. This assurance will largely come from HEIs' own systems of self-regulation and control. In addition, testing will be undertaken where more detailed assurance is required in relation to the quality of data and compliance with terms and conditions of funding.

5. This MoU replaces the previous MoU dated 3 June 2008.

Parties to the Memorandum

6. HEFCE is a Non Departmental Public Body that funds and regulates publicly funded higher education providers in England. HEFCE invests on behalf of students and the public to promote excellence and innovation in teaching, research and knowledge exchange.
7. HEFCE's powers are derived from the Further and Higher Education Act 1992 and the conditions of grant that are placed on the funding it provides. The terms and conditions of HEFCE's grant provided to HEIs are set out in the Memorandum of Assurance and Accountability which defines HEFCEs formal relationship with the governing bodies and heads of institutions.

8. In all HEFCE's activities it aims to:
   - Ensure accountability for funding and be a proportionate regulator
   - Act in the public interest and be open, fair, impartial and objective
   - Be an effective broker between Government and the HEFCE-funded sector and in doing so ensure that it is implementing government policy effectively.

9. RCUK is the strategic partnership between the seven UK Research Councils and does not have a direct funding relationship with HEIs. It enables the Councils to work together more effectively to enhance the overall impact and effectiveness of their research, training and innovation activities, contributing to the delivery of the Government's objectives for science and innovation. RCUK is not a legal entity and its existence does not alter the governance of the individual Research Councils or the accountability of their chief executives, who remain directly and personally accountable for the guardianship of public funds.

10. The seven UK Research Councils are:

   - Arts & Humanities Research Council (AHRC)
   - Biotechnology & Biological Sciences Research Council (BBSRC)
   - Economic & Social Research Council (ESRC)
   - Engineering & Physical Sciences Research Council (EPSRC)
   - Medical Research Council (MRC)
   - Natural Environment Research Council (NERC)
   - Science & Technology Facilities Council (STFC)

11. The focus of the RCUK assurance programme is to provide assurance to the seven Research Councils on the following three key areas (funding objectives).

   - Science delivery: funding and delivery of best science consistent with RCUK strategic priorities;
   - Regularity of spend: funds are spent in line with awards; and
   - Value for money: the public purse gets value for money.

The overall principles of this memorandum of understanding

12. This memorandum aims to support the five principles of good regulation:

   - Proportionality - Regulators should only intervene when necessary. Remedies should be appropriate to the risk posed and costs identified and minimised
• Accountability - Regulators must be able to justify decisions and be subject to public scrutiny

• Consistency - Government rules and standards must be joined up and implemented fairly

• Transparency - Regulators should be open and keep regulations simple and user-friendly

• Targeting - Regulation should be focused on the problem and minimise side effects.

13. Both parties recognise the importance of both formal and informal relationships between their assurance functions and undertake to work collegiately within the spirit of this agreement where matters arise that are not specifically addressed within this MoU.

The scope of the memorandum of understanding

14. The scope of this document relates to those HEIs that receive funds from both the Research Councils and HEFCE. The scope of the memorandum primarily covers:

• Sharing of information.
• Co-ordination of activity
• Provision of an annual letters of assurance

Sharing of information

15. Each party undertakes to inform the other of any information of which it becomes aware that could place the other party’s funding objectives at risk, such that intervention might be required to safeguard public funding objectives.

Examples where this might be required include:

• Changes in the level of funding provided to an HEI that could place its financial sustainability to deliver teaching or research at risk.
• Material non-compliance with the terms and conditions contained in HEFCE’s Memorandum of Assurance and Accountability.
• Material non-compliance with the terms and conditions of RCUK funding
• Material weaknesses in the calculation and/or submission of TRAC returns such that the data cannot be relied on.
• An HEI being subject to a public interest disclosure relating to public funding.
• Discovery or notification of fraud within an HEI affecting public funding.
• Changes to HEFCE’s risk assessment of a HEI.
• Material issues raised by an HEI’s external auditors impacting on public funding, including those raised reported under International Standard on Auditing (ISA) 260.
Co-ordination of activity

16. Each party will carry out a programme of assurance activity sufficient to meet its objectives that public funding is spent with regularity and propriety.

17. Responsibility for ensuring that appropriate information is shared between the two organisations will rest with the nominated contact. For RCUK this will be the Senior Responsible Officer (SRO) for Assurance. For HEFCE the nominated contact will be the Head of Assurance.

18. Both parties agree to share, for information, their approved annual assurance plans.

19. HEFCE will co-ordinate the collection of annual TRAC returns from HEIs and provide the data to RCUK in the agreed format.

21. Officers of both organisations will hold liaison meetings in Spring and Autumn of each year, the scope of which will cover the subject matter of this memorandum.

Annual letters of assurance

22. The accountable officers of HEFCE and RCUK will formally write to each other at the end of each financial year as follows:

- Based on information and assurances obtained through the review processes operated by HEFCE/RCUK:

  - Institutions operate within a sound system of governance and control;
  - There is no evidence of material non-compliance or irregularity in relation to funding conditions;
  - There are no underlying financial issues that may have a significant impact on the financial stability of individual institutions; and
  - There is no evidence of issues that significantly impair the capacity or capability of individual institutions to meet the funding requirements.

- The systems of internal control and assurance used by HEFCE/RCUK functioned effectively during the financial year:

  - Formal reports were received from the Head of Assurance on the relevant activity undertaken during the reporting period.
  - The Internal Audit function produced an annual report and opinion on the adequacy and effectiveness of risk management, control and governance within the organisation.

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1 For RCUK this will comprise the formal reports submitted to the cross Research Council ‘Audit & Assurance Supervisory Board’ or future equivalent.
- The systems of governance, risk management and internal control operating within the organisation² are as set out in the governance statement for that financial year's Annual Report and Accounts.

- That to the best of his/her knowledge and belief, the organisation has fulfilled the terms contained within this memorandum of understanding during the financial year.

Confidentiality

23. Where information is shared between parties, such information is to be treated as commercial and confidential and not disclosed beyond HEFCE or RCUK unless agreed in writing. Where either party wishes to engage with an HEI as a result of information shared by the other party, this should not be done until the other party has had the opportunity to notify the HEI in question that information has been shared.

Timescales

24. Where either party is in receipt of information that the financial sustainability of an HEI is at risk, or that there is a risk that will impact negatively on an HEI's ability to deliver teaching or research, such that the other party's funding objectives may not be achieved, this information should be shared as soon as its accuracy has been verified.

Freedom of Information

25. HEFCE and RCUK are both subject to the Freedom of Information Act 2000 (FOIA). Both organisations will co-operate to enable each to meet its obligations under the Act. In particular, both organisations will consult the other about any disclosure of information that may affect their respective responsibilities in line with the Code of Practice issued under section 45 of the FOIA.

Effective date

26. This memorandum takes effect from April 2016. The memorandum will continue in force until revoked in writing by either party or superseded by a future agreement. It is expected that the memorandum will be reviewed in 2018.

² The RCUK assurance function is hosted by the Biotechnology and Biological Sciences Research Council.
27. The memorandum will be published on the respective websites of RCUK and HEFCE.

Signed on behalf of RCUK: 

Professor Philip Nelson  
Chair  
Date: 5-1-17

Signed on behalf of HEFCE: 

Professor Madeleine Atkins  
Chief Executive  
Date: 19-12-16